

STATE OF OREGON ECONOMIC INDICATORS™



A program of the College of Arts and Sciences and its Department of Economics

MARCH 2012

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How can I interpret the Oregon Measure of Economic Activity?

A reading of “zero” corresponds to the average growth rate for that particular region. In other words, the measures identify periods of fast or slow growth relative to trend.

What is the significance of the moving-average measures?

The monthly measures can be very volatile. To reduce the noise, it is helpful to focus on the average of the most recent data.

Is this approach used elsewhere?

Yes, the Chicago Federal Reserve Bank uses the same basic approach to measure both national and regional economic activity.

What is the difference between the two measures?

The Oregon Measure of Economic Activity uses a methodology that allows for the incorporation of a larger number of variables. The University of Oregon Index of Economic Indicators focuses on a narrower set of variables using a different methodology used by the Conference Board to compute leading indicators for the United States. Using different indicators allows for a more complete picture of the Oregon economy.

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Review

Economic indicators were again mixed in March, but overall were consistent with continued economic growth in Oregon. As expected, the Oregon Measure of Economic Activity rebounded to -0.34 from an upwardly revised -1.10 in February (“zero” for this measure indicates the average growth rate over the 1990–present period). The three-month moving average improved slightly to -0.53. Both the manufacturing and services sectors made net positive contributions to the measure, while the construction and household sectors remained a drag. Low levels of building permits, still high unemployment, and low levels of consumer confidence were significantly weak components. Note that current nonfarm payroll data is likely underestimating job growth in Oregon, suggesting that the Oregon Measure of Economic Activity will be revised upward. Considering

the likely revision, Oregon is growing near its average rate of the last two decades.

The University of Oregon Index of Economic Indicators™ was flat in March. Underlying components were mixed. Initial unemployment claims edged up, and employment services payrolls, largely temporary workers, edged down. Core-manufacturing orders and the weight distance tax, a measure of trucking activity, both declined. Residential building permits fell, but have been mostly range-bound in the low 700’s since the end of last year. Consumer sentiment continued to rebound.

Compared to six months ago, the UO Index rose 3.6 percent (annualized), a rate that suggests continued growth in Oregon in 2012. Similarly, the flow of national data is generally consistent with steady growth, although the pace remains below that necessary to quickly return economic activity to its prerecession trend.

Contributions to Oregon Measure of Economic Activity – Mar. 2012

	Manufacturing	Construction	Households	Services
ISM Manufacturing: Imports Index	0.03			
ISM Manufacturing: Supplier Deliveries Index	-0.05			
Manufacturing Employment, Oregon	-0.01			
Hours, Manufacturing Production Workers, Oregon	0.12			
Port of Portland, Ton Equivalent Units	-0.04			
Manufacturing Exports, Oregon	-0.01			
New Private Housing Units Authorized By Building Permit, Oregon		-0.21		
Construction Employment in Oregon		-0.01		
Natural Resources and Mining Employment, Oregon		0.04		
Employment Services Employment, Oregon			-0.01	
Initial Unemployment Claims, Oregon			-0.04	
Civilian Labor Force, Oregon			-0.04	
Unemployment Rate, Oregon			-0.12	
Interest Rate Spread			-0.02	
S&P500 Stock Index			0.02	
Consumer Sentiment, University of Michigan - Reuters			-0.08	
Educational and Health Services Employment, Oregon				-0.05
Financial Activities Employment, Oregon				-0.05
Government Employment, Oregon				-0.02
Leisure and Hospitality Employment, Oregon				0.04
Professional and Business Services Employment, Oregon				-0.08
Other Services Employment, Oregon				0.16
Trade, Transportation and Utilities Employment, Oregon				0.08
Total By Sector	0.05	-0.18	-0.29	0.08
	Jan-12	Feb-12	Mar-12	
Oregon Measure of Economic Activity	-0.05	-1.10	-0.34	
Three-Month Moving Average	-0.51	-0.54	-0.50	



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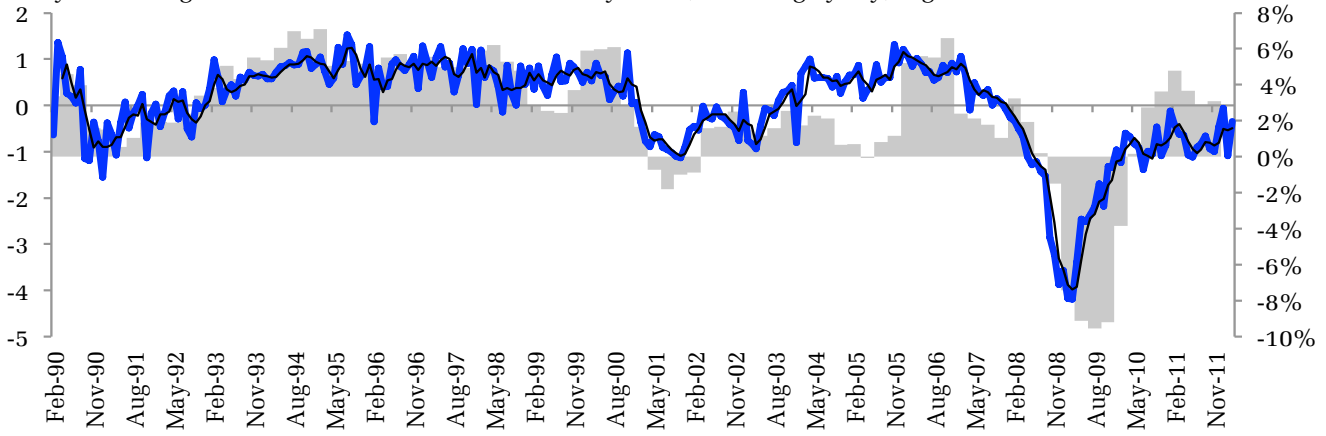
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Oregon Measure of Economic Activity

Black: Three Month Moving Average, Left Axis

Gray: Real Oregon Personal Income less Transfer Payments, % Change y-o-y, Right Axis

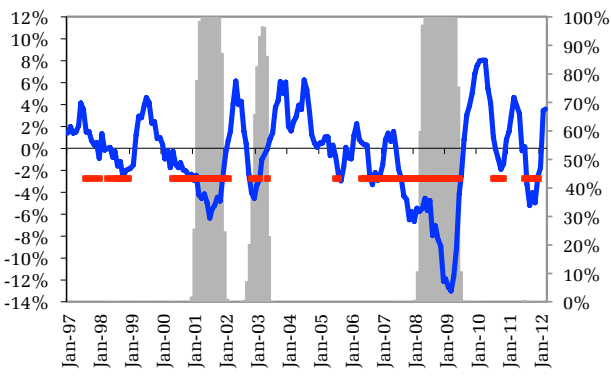


UO Index of Economic Indicators, % Change

Blue: 6-Month Percentage Change, Annualized

Red: 6-Month Diffusion Index Declines More Than 50%

Gray: Probability of Oregon Recession, Right Axis



UO Index of Economic Indicators

Blue: UO Index, 1997=100, Left Axis

Gray: Probability of Oregon Recession, Right Axis

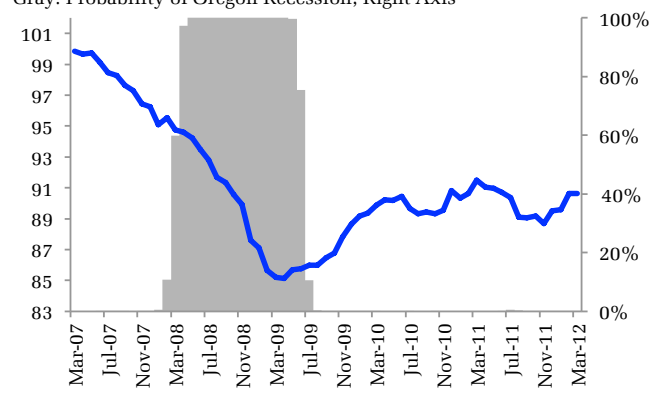


Table 2: UO Index of Economic Indicators – Summary and Components

	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12
University of Oregon Index of Economic Indicators™, 1997=100	89.2	88.7	89.5	89.6	90.6	90.6
Percentage Change	0.1	-0.6	1.0	0.1	1.2	0.0
Oregon Initial Unemployment Claims, SA*	8,427	8,337	7,641	8,748	8,108	8,375
Oregon Employment Services Payrolls, SA	30,614	30,365	31,171	31,076	31,392	31,249
Oregon Residential Building Permits, SA, 5 MMA*	688	723	719	764	758	734
Oregon Weight Distance Tax, SA,	107.24	102.58	103.87	102.38	106.21	102.55
U.S. Consumer Sentiment, SA, 5 MMA	62.2	60.8	62.0	65.9	69.0	72.1
Real Manufacturers' New Orders for Nondefense, Nonaircraft Capital Goods, \$ Millions, SA	42,145	41,512	42,901	41,274	42,358	41,961
Interest Rate Spread	2.08	1.93	1.91	1.89	1.87	2.04